MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

BAC 3664 – ACCOUNTING THEORY

(All sections / Groups)

10 AUGUST 2022
9.00 am – 12.00 pm
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 3 pages (excluding the cover page), with 4 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a)There are various arguments that either supported or opposed the regulation of financial accounting. The advocates of the anti-regulation approach argue that there are private economic incentives for organizations to produce accounting information voluntarily and imposing accounting regulation leads to cost inefficiencies.

Required:

Explain the mechanisms namely; private contracting, the market for managers, the market for takeovers, and the market for lemons which could support the argument for a reduction in financial accounting regulation. (15 marks)

b)The following diagram shows the research framework for the study of keys factors affecting consumer decision making on purchase of residential properties in Malaysia.

Source: Adapted from Hei & Dastane (2017).

Required:

Based on the above diagram, explain what is cues and event from the perspective of Brunswik Lens Model. (10 marks)

(Total: 25 marks)

QUESTION 2

A review of the literature shows that earnings management is an attempt by managers to alter financial reports either for their private benefits or for the benefit of stockholders.
(Nia, Huang & Abidin, 2015)

Required:

Explain **FIVE (5)** manager's motivations in performing earnings management in their respective organization. (25 marks)

(Total: 25 marks)

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QUESTION 3

a) Increased workloads, changes in working environments and evolving duties have all contributed to employee burnout in the accounting industry which could lead to accounting issue. When employees face inconsistency in their roles, they may experience low morale. Thus, employee burnout can cause individual to have negative psychological system, physical and mental illness, such as depression, anxiety, low self-esteem, insomnia and et cetera.

Required:

Differentiate the application of Conceptual Framework versus Financial Accounting Standard on the accounting issue due to employee burnout. (10 marks)

b) Corona virus disease was discovered publicly at 31 December 2019 in Wuhan, China and announced as a pandemic on 11 March 2020. The spread of the pandemic has forced countries to close border and employees have to adopt work from home (WFH).

The corona virus pandemic has the potential to create significant changes for accountants who prepare company financial statements and for auditors as well. The accountants and auditors have to ensure that their financial reporting, auditing, and review processes are as robust as practicable in light of the circumstances

Required:

i)Explain the effects of corona virus on the financial accounting and auditing. (7 marks)

ii)Explain how 'theory' can help solve the issue. (8 marks)

(Total: 25 marks)

QUESTION 4

Research have provided insights into the motivations inherent in lobbying activities associated with accounting standards.

Required:

a) Explain lobbying activities within the private interest theory of regulation.
(10 marks)

Continued...

b) In relation to financial accounting, describe lobbying activities by the following stakeholders from the perspective of private interest theory of regulation:

1) Industry groups
2) Accounting firms
3) Analyst
4) Regulators

(15 marks)

(Total: 25 marks)

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